

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  MIDAMERICAN ENERGY COMPANY	DOCKET NO. EEP-03-1
--	---------------------

**ORDER APPROVING SETTLEMENT AND REQUIRING ADDITIONAL  
FUNDING AND INFORMATION**

(Issued July 18, 2003)

On May 30, 2002, the Utilities Board (Board) issued an order directing MidAmerican Energy Company (MidAmerican) to file its new energy efficiency plan on or before January 14, 2003. MidAmerican filed its proposed new plan on January 14, 2003. The plan contained both gas and electric programs. The Board docketed the filing, identified as Docket No. EEP-03-1, and established a procedural schedule by order issued February 11, 2003.

In addition to the Consumer Advocate Division of the Department of Justice (Consumer Advocate), Ag Processing Inc (Ag Processing), the Iowa Industrial Intervenor (III), Deere & Company (Deere), and Interstate Power and Light Company (IPL) were parties to the proceeding. Consumer Advocate and Ag Processing submitted prefiled testimony.

On May 5, 2003, the Board approved a partial settlement between MidAmerican and Consumer Advocate concerning the need for litigation of the avoided cost issue in the energy efficiency docket. MidAmerican and Consumer

Advocate said that while they had serious differences in their preferred methodologies for calculating avoided cost, the matter should not be litigated in this proceeding because MidAmerican and Consumer Advocate agreed on the totality of measures to be included in the plan.

On June 5, 2003, the Board issued an order holding the procedural schedule in abeyance to allow the parties to pursue negotiations on a settlement. On June 23, 2003, MidAmerican, Consumer Advocate, and Ag Processing filed a proposed settlement on all outstanding issues in Docket No. EEP-03-1. The accompanying motion requesting approval of the settlement stated that the other parties to the proceeding, Deere, III, and IPL, did not object to the settlement. On June 30, 2003, the Board issued an order canceling the hearing scheduled for July 8, 2003.

Subrule 199 IAC 7.2(11) provides that the Board will not approve a settlement unless it “is reasonable in light of the whole record, consistent with law, and in the public interest.” The Board has reviewed the settlement and finds that it meets the standard contained in the rules. The menu of energy efficiency programs is similar to the list of programs now being implemented, but the overall budget for electric programs in 2004 shows an increase of 30 percent from the actual spending level in 2002. Three new nonresidential programs will be offered—small commercial energy audits, nonresidential energy analysis, and an energy efficiency bid program. Overall budgets for both electric and gas programs increase steadily during the plan’s five-year timeframe.

The settlement provides that the new plan begin on January 1, 2004. While the Board will not ask the parties to modify the starting date contained in the settlement, the Board is concerned about the impact of high natural gas prices this winter. The Board expects MidAmerican will engage in sufficient promotional activities beginning now and continuing through the start of the heating season to make customers, particularly residential customers, aware of programs available to reduce heating costs. If additional promotion or implementation during 2003 strains the budget for the current plan, MidAmerican may request a budget waiver, a procedure it has used in the past.

Even though the settlement will be approved, the Board is concerned that the amount included in MidAmerican's plan for low-income programs is not sufficient. As discussed later, the Board will direct MidAmerican to submit a report addressing certain low-income issues and, depending on what the report shows, additional low-income assistance or promotion may be required. While the report should provide information with respect to the appropriate level of funding for low-income programs, it is apparent that the level proposed in MidAmerican's plan, \$1,000,037, is inadequate. Therefore, the Board will direct MidAmerican to increase its total funding for low-income energy efficiency programs by 100 percent, effective January 1, 2004. If any party believes this violates the terms of the settlement agreement, a request for hearing may be filed with the Board within 20 days from the date of this order and the Board will set the low-income funding issue for hearing.

In order to assist the Board and others in ongoing plan review, certain additional information and research is required. First, the format of the settlement is somewhat confusing with respect to the areas where it alters the plan as originally filed. MidAmerican will be required to file, within 30 days of the date of this order, the narrative and numerical deletions, additions, and other changes to the plan contained in the settlement as revisions or amendments to the filed plan, by filing new pages which contain these changes. If this revision is too burdensome, MidAmerican may file pages to be attached at appropriate places to reflect the changes made by the settlement.

Second, as discussed earlier, the Board expects that MidAmerican will use all reasonable efforts to aggressively implement current programs addressing natural gas efficiency, particularly for residential mass markets, by the start of the heating season, which is often considered to be October 1. The Board will schedule a meeting for September 16, 2003, at the Board's offices at 350 Maple Street, Des Moines, Iowa, for the Board's staff to meet with MidAmerican and other interested parties to discuss implementation of current and new programs and the possible impacts of rising natural gas prices on energy efficiency programs.

Third, MidAmerican will be required to file by November 1, 2003, a report on the progress of developing design improvements for the nonresidential load management program, as described in Exhibit 1, paragraph 8, of the settlement.

Fourth, the Board will discontinue the requirement that MidAmerican file quarterly reports on implementation, but MidAmerican will be required to continue tracking implementation during each quarter and include quarterly data in an annual report to be required on or before May 1 of each year, beginning in 2004. The report shall include at least the following:

1. Quarterly data for the previous calendar year on planned and actual expenditures, planned and actual energy and capacity savings, and planned and actual participation.
2. Data for the previous calendar year reporting the amounts of actual expenditures by the categories of costs listed in the Board's rules and the settlement for each program.
3. Data reporting for the previous calendar year the actual number of energy efficiency measures, audits or other actions taken by customers, listed by program and within programs by type of measure or action.
4. Data reporting for the previous calendar year the benefits and costs of each program, using the benefit-cost tests in the Board's rules, and the avoided costs in the plan.
5. Narrative descriptions of the implementation of each program, describing all significant changes in program implementation, notable developments, and any observations about future implementation of each program.

Fifth, MidAmerican shall use its best efforts to obtain readily available information on low-income weatherization and provide by September 1, 2003, a report to the Board addressing the following items:

1. An estimate of funds needed by weatherization agencies to complete all reasonably feasible energy efficiency improvements for all eligible MidAmerican low-income residential customers by December 31, 2013.
2. An estimate of the ancillary funding that may be needed by weatherization agencies to address health and safety issues related to implementation of low-income weatherization.
3. An assessment of barriers to expanded low-income weatherization related to availability and training of contractors or weatherization personnel needed to implement expanded programs.
4. An assessment of the need for and impact of multi-year reliable funding for low-income weatherization programs.
5. An assessment of the types and amounts of special assistance that may be needed by public and private agencies to improve energy efficiency for low-income residents in rental properties, emergency shelters, or other dwellings owned by third parties.

The Board required IPL to file similar information with respect to low-income weatherization in its service territory. See, Interstate Power and Light Company, "Final Decision and Order," Docket No. EEP-02-38 (6/3/03). Depending on what the

results of MidAmerican's report shows, the Board, as noted earlier, may by subsequent order consider modifications to the plan to provide additional assistance to low-income customers. The high gas prices projected have a disproportionate impact on low-income customers because of the higher percentage of their income that must be used to pay for energy to heat their homes.

**IT IS THEREFORE ORDERED:**

1, The settlement filed by MidAmerican Energy Company, the Consumer Advocate Division of the Department of Justice, and Ag Processing Inc on June 23, 2003, is approved.

2. Effective January 1, 2004, MidAmerican shall double the amount in its approved plan for low-income programs. Any party desiring a hearing on this issue shall file a request for hearing within 20 days from the date of this order.

3. MidAmerican shall file revisions to the plan incorporating the changes contained in the settlement as described in this order on or before 30 days from the date of this order.

4. A meeting is scheduled for September 16, 2003, beginning at 10 a.m. in the Board's offices at 350 Maple Street, Des Moines, Iowa, to address MidAmerican's implementation of current and new energy efficiency programs, particularly for residential markets, prior to the October 1, 2003, beginning of the heating season.

5. MidAmerican shall file a report on or before November 1, 2003, containing information described in this order with respect to its nonresidential load management program.

6. MidAmerican shall file a comprehensive annual report on or before May 1 of each year, beginning May 1, 2004, containing the information described in this order. Quarterly reports shall no longer be filed.

7. MidAmerican shall file a report on or before September 1, 2003, containing the information described in this order with respect to low-income weatherization.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 18<sup>th</sup> day of July, 2003.